

Citizen Trade Policy Commission

Friday, September 18, 2006

Room 126, State House, Augusta

10:30 AM meeting of the subcommittees
(Labor and healthcare subcommittees did not meet)

12:30 PM meeting of the full Commission

Meeting Summary

Members present:, Sen. Margaret Rotundo (co-chair), Sen. Kevin Raye, Sen. Bruce Bryant, Rep. John Patrick (co-chair), Rep. Rod Carr, Mary Ellen Johnston, Matt Schlobohm, Linda Pistner, Leslie Manning, Robert Weiss, Paul Volckhausen and Peter Connell.

Members absent: Rep. Deborah Hutton, Barbara Van Burgel, Cynthia Phinney and Mark Haggerty.

Staff present: Curtis Bentley, Legislative Analyst; Alison Ames, Legislative Researcher

Recordings of the meeting: Martha Spiess has provided the Commission with audio cassettes of this meeting and a DVD of Mr. Melly's (Deputy Assistant USTR for Services) comments.

I. Report back from subcommittee's 10:30 meetings (12:30PM)

- Only Robert Weiss of the Healthcare subcommittee was able to attend so he joined the Natural Resources/Environment subcommittee meeting. The Labor subcommittee did not meet. The Natural Resources/Environment subcommittee discussed the progress of the annual assessment and generated a list of names for Peter Riggs to contact in conducting the assessment. The subcommittee formulated question for Christopher Melly and recommended that the Commission ask Mr. Melly about "Fast Track" reauthorization.

II. Christopher Melly, USTR (1:00PM)

- Mr. Melly joined USTR in 2003 and deals primarily with services ("anything you can't drop on your foot") in trade. He provided that USTR serves as a broker for trade and hosts interagency teams to work on trade policy issues. If staff cannot agree on an issue it gets elevated to more senior staff levels and eventually to the President who makes final decisions. Also, USTR has congressional oversight committees that review what USTR does with trade agreements.
- The formal process for communication with USTR is through the SPOC however, the best way to communicate with USTR is informally by conference call or by visiting the offices of USTR or inviting USTR to Maine.

- The overall purpose of GATS is to discourage discrimination in the global market place on services.
- Mr. Melly identified four modes of services and stated that USTR is focusing on services that are important to supporting the economy infra structure such as financial services, computer services and services related to energy.
- Doha negotiations had two tracks: 1) market access; and 2) exceptions - once include a sector then list the exceptions to that sector such as domestic regulations. Negotiations have stalled mainly due to agriculture but parties are mandated to go back and hold more rounds of negotiations. As of July there is no new text regarding potential rules. Mr. Melly stated that there won't be any movement one way or another this year but the U.S. is committed to the process and will continue to pursue efforts to get things started again but unlikely anything will start this year.
- USTR opposes any "necessity test" particularly across the board but may be willing to entertain a specific sector request if a preference came to USTR and wanted an assessment test, otherwise the U.S. opposed to it.
- In response of a question about why we should believe the services sector would fair any better than the manufacturing sector has under trade agreements, Mr. Melly stated that unlike the manufacturing sector, the US services sector is already open and competitive globally - we have very little to lose by negotiating with other countries and it will only make us more competitive.
- Mr. Melly stated that the objective behind trade agreements is to lower consumer costs because people want lower costs. Even though we lost some manufacturing jobs when the U.S. lowered it manufacturing related tariffs, the U.S. as a whole became more competitive globally. For example, when the textile trade was liberalized the price of clothes was cut in half as a result giving consumers more money to spend elsewhere; it creates efficiencies.
- In response to a question about striving for more balanced trade agreements, Mr. Melly stated that with regard to services, there is a very high level of commitment for more balanced agreements. Congress watches closely and holds USTR's feet to the fire give the trillions of dollars in foreign investment out there.
- In response to a question about the pressure timelines place on the USTR during negotiations, Mr. Melly responded that USTR has always been willing to walk away from negotiations regardless of any timelines.
- In response to a question about rate at which trade negotiation proceed with respect to a state's ability to respond in a timely manner, Mr. Melly said that services negotiations started back in 2000 so not that much is new. When reformulated agreements to expand agreement none of it was regulation of states - if a state is concerned about certain issues then can bring up. Mr. Melly stated that he thinks many interest groups made it all scarier than it really is.
- In response to a question about wages and environmental issues, Mr. Melly said that the labor and environmental side is challenging in the WTO because just one voice but have better luck with trade agreements. It is hard to get some countries to move on those issues; however, no matter what policy we have wages are very difficult to negotiate because of low wages around the world.

- In response to a question about USTR's refusal to honor Maine's request for GATTs carve outs even when USTR gave the Commission assurances that our concerns would be heard and honored, Mr. Melly stated that USTR heard Maine's concerns in the context of rules but didn't find them too compelling. To carve Maine out of the agreement at that time when no direct link to Maine was established would have caused serious problems. Congress obligated USTR to consult with states but we can't delegate the final decision to the states; the regulation of foreign trade is in the realm of the federal government. He further responded that when they do research during negotiations if they find a state has a policy on the books that is inconsistent with an agreement then they may provide care out. Procurement is a unique agreement and allows states and entities (U.S. Dept. of Defense) to opt out; no state has opted out of the agreement.
- In response to a request for clarification about the "burdensome test" language in the Columbian agreement that appears to be a contradiction to USTR's opposition to necessity tests, Mr. Melly responded that it was good someone was reading these agreements and that U.S./Columbia agreement was modified from the GATS since NAFTA and does contain the "burdensome test" language. However, the new US/Korean agreement has dropped that test. Korea wants the language back in and is considering whether or not to go on with the agreement anyway.
- In response to a question about a national standard for states on health care, Mr. Melly stated that only the ability to invest in and manage health institutions was offered; trade agreements don't set standards for care or licensing for health facilities. Limits at macro level to prevent discrimination such as nationality or numbers but stay away from standards at the national level for quality of care. Mr. Melly also said that there is language to move towards a generally recognized standard across nations but USTR has responded that the U.S. federal government does not have the competency to negotiate health standards and would direct a country to a state to work out standards.
- In response to a question about the existence of a public accessible U.S. policy on trade negotiations and where we could find the current language on transparency, Mr. Melly stated that USTR has not updated its proposals that are available to the public; there is no real text to work on at the moment and suggested that we periodically call him or Daniel Watson to ask what is going on. This response prompted a Commission member to quip that the enigma of trade agreements is clear when even the negotiations on transparency are secret.
- In response to a question about USTR giving states advice on how to deal with standards coming out, Mr. Melly responded that there should be more exchange on that but USTR tries not to have agreements that would require states to change. USTR tries to build in policy flexibility in trade agreements so states are not out of compliance. USTR does not want to ask a state to change a law or standard.
- In response to a question about how states can influence trade negotiations, Mr. Melly suggested we call USTR if we have any questions on trade issues or to get the latest information on trade negotiations.

III. Peter Riggs conference call about Tennessee NCSL meeting and preliminary assessment report

- Mr. Riggs (Executive Director, Forum on Democracy and Trade) had the following update about Christina Bliss's (USTR) testimony at the 2006 NCSL meeting in Nashville, Tennessee, the assessment and what is currently happening in the trade arena:
 - Christina Bliss said USTR still opposes any "necessity test" and that USTR is not willing to honor Maine's request for carve outs. USTR was unhappy about the chairman's notes that were released because the notes still contained the "necessity tests." The Working Party on Domestic Regulations is part of the Doha round so it was also suspended when the Doha negotiations were suspended.
 - Mr. Riggs provided an update on the progress of the assessment; the Forum's plans to be in Maine next week to meet with key people and asked Commission to help identify people he should talk to about assessment matters. The Forum will develop an advanced draft of the assessment for Commission members to look at later this fall.
 - Mr. Riggs informed the Commission that USTR is accountable to the executive branch so not subject to FOIA and because USTR is very close to the President other agencies give USTR's decisions a great deal of deference.
 - Regarding transparency negotiations, Mr. Riggs remarked that these negotiations don't have to be this way and that Canada may be a better model.
 - The next big event is fast track and may not want to frame the argument to approve or disapprove but to move beyond that and talk to Maine's Congressional Delegation about another mechanism or option to fast track. Maine could be the leader with regards to fast track.
 - If define service jobs as anything can do within 200 miles then 50% of U.S. jobs at risk for out-sourcing overseas.
 - USTR may be at a tipping point regarding state influence if more states follow suit with the Commission.

IV. Michael Shuman (Vice President for Enterprise Development for the Training & Development Corporation of Bucksport, Maine) provided the following information:

- Locally-based businesses are more valuable to a community than a national company because the local business will employ local people and families from the community for generations and is anchored to the area and therefore less likely to move rather than adopt new labor and environmental laws. Locally-based businesses have a higher economic multiplier - \$100 spent in national chain results in \$14 staying in the local community as opposed to \$45 for locally-based businesses. Local businesses spend more money locally, i.e. supplies, lawyers, local advertising.

- Mr. Shuman stated that USTR moving into the realm of procurement is a big mistake; procurement is an important tool for government entities to give local businesses a preference and the current model of trade runs counter to this preference.
- It is possible for Maine to move ahead with selective procurement without running into trade issues by requiring all bidders to provide a job estimate that shows how much money will be spent in the local area and use a multiplier to give that bidder a preference. To avoid a charge of this being a secret trade barrier, Maine's legislature could do a study that looks at the local economic advantages of using this multiplier method for state bids on policy grounds; not just to discriminate against foreign entities. This establishes a rational, objective reason for the methodology.
- Suggested that adding local small businesses in the 40% tax credit (the credit is for non-local banks) will produce a small-business revolution.
- Current trade regime has the economic picture wrong (driven by mobile, global capital), Mr. Shuman hypothesized that economic development comes indigenously – self-reliant with a strong export component. If focus on a diverse local business economy can produce more locally without relying on imports. Import stabilization is important to achieve for greater local benefit – need to stop importing goods and services that can be done within the local community.
- Maine's security laws need to be overhauled and Maine should focus more on the recruitment of small businesses.
- Mr. Shuman stated that he is willing to help in anyway he can.
- Mr. Shuman promised to put together his recommendations for the Commission in writing.

V. General discussion

- Leslie Manning reported that a recent Department of Labor report on jobs shows that while the service sector will increase the manufacturing sector will decline over next 8 years. Ms. Manning indicated that while trade has a short-term benefit in cheaper goods, in the long run it is proving to be devastating to Maine workers and a loss to Maine's over-all economy.
- Rep. Patrick provided a report back on the Nashville NCSL conference and stated that approximately 25 people gave him positive feedback on Maine's participation in NCSL and on the Commission's work.
- Commission asked staff to investigate whether or not there is a recording of the NCSL Trade Policy Leadership seminar and for Commission members to let chairs or staff know if they are interested in the seminar.
- Discussed Vermont's Commission on International Trade request to send someone from the Commission to its first meeting on September 28, 2006. Rep. Patrick hoped to be able to attend in person. It was agreed to that staff would attend by conference call if no one from the Commission could attend. Commission directed staff to express its excitement about the creation of Vermont's commission and that the Commission looked forward to working with them.

- Discussed dates available to have Alan Tonelson attend a Commission meeting and potential funding for his visit. No final decisions were made but members of the Commission are coordinating their efforts get Mr. Tonelson to Maine.
- Commission discussed FOA concerns regarding emails and conference calls.
- Commission directed staff to draft legislation for pulling in more staff resources from other agencies and to change the assessment schedule from annually to every two years.
- Discussed the 109th Congress House Concurrent Resolution that was presented at the Commission's last public hearing. Could use concurrent resolution as a template for a model trade agreement. Matt Schlobohm agreed to look into the status of the resolution.
- The Commission agreed to establish a subcommittee to stay abreast of fast track developments by January and directed staff to put it on the agenda for the next meeting.
- Sen. Rotundo stated that MITC now has a new director and the board is very interested in meeting with the Commission. Sen. Rotundo will continue to work with MITC to set up a meeting as soon as possible.
- Sen. Rotundo is continuing to look for students to help with Commission work.
- Commission member provided information on the Solidago Foundation that may be a source for outside funding for the Commission.

VI. Next regular meeting

- Commission decided to resume holding its monthly meeting on the first Friday of every month but directed staff to poll Commission members to see if a October meeting necessary.

VII. Adjournment.

- The Commission adjourned its meeting at approximately 4:30PM.